Statement of Investment Principles

Ferrero UK Limited Defined Contribution Pension Scheme – September 2020

1. Background

This Statement sets out the principles governing decisions about investments adopted by the Trustee of the Ferrero UK Limited Defined Contribution Pension Scheme ("the Scheme") to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Scheme is a defined contribution pension plan and in preparing the Statement, the Trustee has consulted the participating employer and obtained and considered written professional advice from Mercer, the Scheme's investment consultant, regarding the investment arrangements to ensure compliance with the legal requirements about choosing investments (as per section 36 of the Pensions Act 1995).

The Statement sets out the principles that govern decisions about the investment of the Scheme's assets. The Trustee will refer to this Statement when making investment decisions, to ensure that they are consistent with these principles.

The Statement will be reviewed every year to ensure that it remains accurate. It will, however, be amended more frequently should any changes be made to the Scheme's investment arrangements or in response to material changes in the Scheme's membership. It will also be reviewed in the case of significant regulatory changes.

The Trustee's investment powers are set out within the Scheme's governing documentation and relevant legislation. The Trustee has ultimate power and responsibility for the Scheme's investment arrangements.

The Trustee recognises that it has fiduciary obligations to Scheme members and will seek to maintain a good working relationship with all participating employers. In addition to this, the Trustee will discuss any proposed changes to this Statement with the participating employers. However, any fiduciary obligations to Scheme members will take precedence over their wishes, should these ever conflict.

2. Investment Objectives and Risk

The Trustee expects that members of the Scheme have differing investment needs and that these may change during the course of their working lifetimes. The Trustee also recognises that members have different attitudes to risk and believes that ideally members should make their own investment decisions based on their individual circumstances.

The Trustee's duty is to make available a range of investment funds that enable members to tailor a strategy to their own needs.

For members who do not wish to make their own investment choices, a default option is provided but the Trustee acknowledges that this option will not meet every individual member's needs.

2.1 Investment Objectives

To meet its obligations to the members of the Scheme, the Trustee has set the following objectives:

a. To offer members a 'Lifestyle' option and ensuring that the investment fund options allow members to plan for retirement.
b. To provide access to a range of funds that is of high quality and has a range of expected risk and return characteristics.
c. To provide a range of funds that caters for different levels of member understanding.
d. To monitor the fund range to ensure it remains appropriate for the members and the funds are performing in line with expectations.

2.2 Risk

In determining the investment arrangements, risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The Trustee has considered return expectations and risk from a number of perspectives. These include:

a. The risk that the investment returns, when combined with sufficient contribution rates over members' working lives, will not keep pace with inflation and do not secure adequate retirement benefits.

   The Trustee has provided a default option, which has an explicit allocation to assets that are expected to outperform inflation over the long term. Members are also able to self-select funds, most of which are expected to outperform inflation over the long term;

b. The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefits.

   Investment risk is measured as the volatility of expected returns. The Trustee offers a default option which automatically and gradually reduces the level of investment risk, (relative to members' expected choice of retirement benefits) members are exposed to as they approach retirement;

c. The risk that the investment vehicles in which monies are invested under-perform the expectation of the Trustee.

   This risk is measured by considering fund returns relative to their benchmark and compared to the investment manager's stated outperformance target/expected tracking error. The Trustee monitors the performance of the investment vehicles on a regular basis to ensure funds are meeting expectations.

2.3 Range of Funds

The Trustee has agreed the fund options outlined in this section in the belief that they are appropriate for meeting the investment objectives outlined above. The Trustee has considered the use of active and passively managed funds within the strategy review and has decided to maintain a core range of passively managed options.

In particular, for members who do not wish to take an active role in their investment decisions, the Trustee offers a **default option** (see Section 2.4) which is a lifestyle strategy designed to help a typical member manage their investment objectives.

To cater for the different risk appetites of members, the Trustee offers the following fund options.

Passively Managed	Actively Managed
✓ Aviva BlackRock (40:60) Global Equity Index (Aquila C)	✓ Aviva Cash
Aviva BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C)	
Aviva BlackRock World ex UK Equity Index (Aquila C)	
Aviva BlackRock UK Equity Index (Aquila C)	
✓ Aviva BlackRock Over 15 Year Corporate Bond Index (Aquila C)	
✓ Aviva BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)	

**The funds with a ‘tick’ next to their name also form part of the default arrangement*

The Trustee believes that the fund options outlined in the table above are appropriate for meeting the risks outlined in 2.2. More details on the objectives of these funds is included in the appendix and in the investment guide. The funds are provided on an investment platform provided by Aviva plc (“the Provider”)

2.4 Default Option

Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, it is expected the vast majority of members will not make an active investment decision and are therefore invested in the default option.

In selecting the default option, the Trustee has been mindful of the nature of this membership and benefits that may have already been accrued from other pension schemes offered by the Company.

The default option aims to generate investment returns in excess of inflation during the ‘growth phase’ and has been designed for members who want to use their savings to buy an annuity when they retire as well as taking a tax free cash lump sum, expected to be 25% of their Retirement Account.

The objectives of the default option, and the ways in which the Trustee seeks to achieve these objectives, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

If the member is more than ten years away from their expected retirement date, contributions will be invested in the Aviva BlackRock Global Equity (40:60) Index Fund which invests primarily in UK and overseas developed equities with the objective of producing a return in line with its benchmark and is expected to exceed inflation over the long term.

- To provide a strategy that reduces investment risk for members as they approach retirement.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk relative to the expected retirement benefit choice as the member approaches retirement is appropriate. The Trustee has included an allocation to passively managed corporate bonds and index-linked gilts from 10 years to retirement to reduce this risk and enable members to purchase an annuity with a portion of their savings at retirement.

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual also planning to use part of their savings in the Scheme to take a cash lump sum at retirement.

At three years from their expected retirement, a proportion of members' accumulated savings in the default option will be gradually moved to the Aviva Cash Fund, aiming for a final allocation of 25% upon retirement. The Aviva Cash Fund aims to achieve an investment that is in line with short-term money market interest rates.

The default option aims for the following allocation at retirement:
- *38% Aviva BlackRock Over 15 Year Corporate Bond Index (Aquila C)*
- *37% Aviva BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)*
- *25% Aviva Cash*

The Trustee's policies in relation to the default option are detailed below:

- The default option manages investment risks through a diversified strategic asset allocation consisting of traditional assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.

- In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.

- Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of members. Based on this understanding of the membership, a default option that targets the purchase of an annuity at retirement is considered appropriate.

- Assets in the default option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. Assets are also invested mainly on regulated markets (those that are not are kept to prudent levels).

- If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date.

- Members do not have to take their retirement benefits in line with those targeted by the default option; the target benefits are merely used to determine the investment strategy held pre-retirement and at the point of retirement.

- Assets in the default option are invested funds where the underlying fund is a long-term insurance contract. Members do not hold any assets directly. The insurance contracts have assets underlying them which generate the returns that are passed on to members who are invested in the funds.

- The selection, retention and realisation of assets within the pooled funds are delegated to the respective underlying fund managers in line with the mandates of the funds.

Taking into account the demographics of the Scheme's membership, the Trustee believes that the current default option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic if sooner.

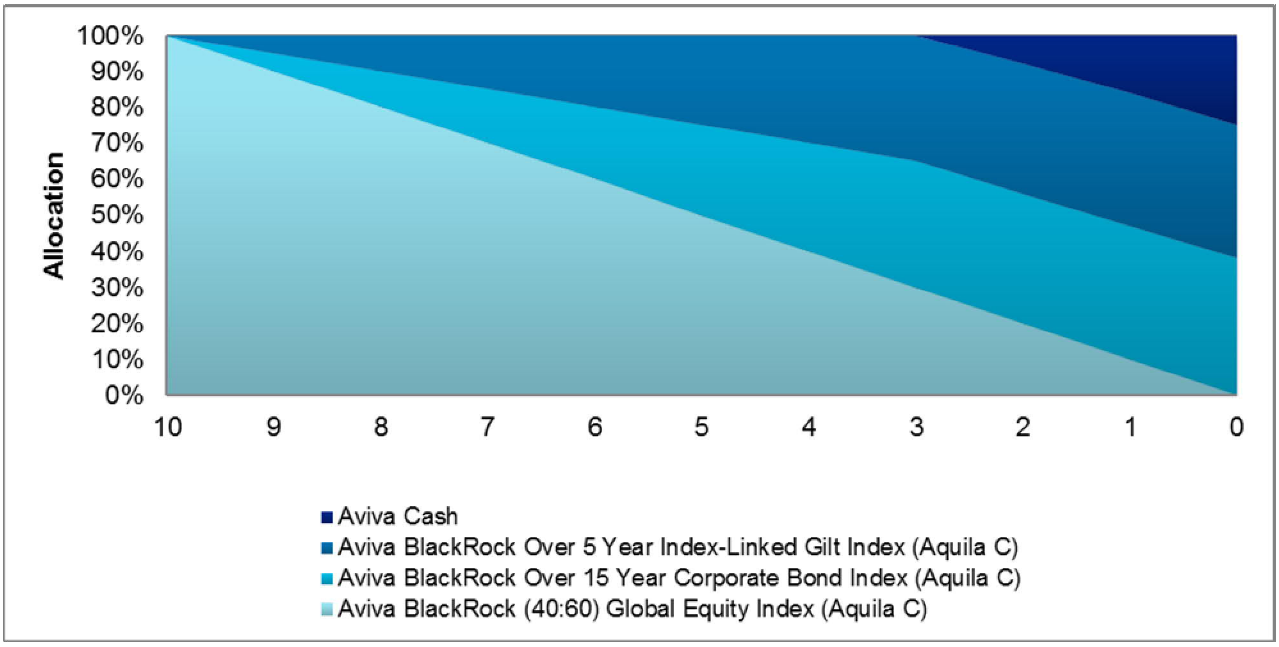
2.5 Investment Strategy - Default Option

The Trustee makes a single lifestyle strategy available for its members, which targets a final allocation that enables members to take 25% of their savings as cash and use the remaining balance to purchase an annuity.

In the growth phase, the default option wholly invests into the Aviva BlackRock (40:60) Global Equity Index (Aquila C).

Once a member is ten full calendar years from their target retirement age, and if they are invested in the default option, their assets will gradually be moved to a mixture of Corporate Bonds, Index-linked Gilts and Cash.

10 Year Lifestyle Option



This lifestyle path is designed for those members who intend to purchase an annuity and take a tax-free cash lump sum (up to 25% of a members' pot) at retirement. Once they are ten calendar years from retirement, the member's assets will be moved into investments more suitable for targeting tax-free cash and an annuity as members approach retirement.

3. Day to Day Management of the Assets

3.1 *Assets*

The Trustee has contracted with the Provider to deliver bundled services through their platform including administration, custodian and investment services. The Scheme's investments are provided under the same contract with the Provider who is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority, to provide the insurance intermediation and governance services,

The Trustee has selected funds on the Provider's platform, for the members' contributions to be invested in. The underlying fund(s) may be changed in line with the Trustee's discretion.

3.2 Spread and Suitability of Investments

The Trustee is satisfied that the spread of assets by type and the Provider's policies on investing in individual securities within each type provide adequate diversification of investments. Mercer monitors the suitability of the investment funds described in section 2.3, through ongoing research and performance reviews. Mercer provides advice on the funds and the suitability of the Provider, which includes reporting on the investment performance of the underlying funds.

As the assets of the Scheme are invested in pooled fund vehicles underlying the funds offered by Aviva (the investment restrictions applying to these funds are controlled by the underlying managers of the funds.

3.3 Socially Responsible Investment and Corporate Governance

The Trustee recognises that social, environmental and ethical considerations are among the factors which the Provider and the underlying investment managers should take into account, where relevant, when selecting investments for purchase, retention or sale. The Provider and investment managers have been delegated through the contract to act accordingly, and the Trustee accepts that the assets are subject to the policies of the managers of the underlying funds on social, environmental and ethical investment.

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole – which in turn may have a positive impact on member outcomes.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments.

The Trustee will consider climate change in fund selection and strategy from the ratings provided by their consultant but the prominent weighting on decisions will be based on expectations on future performance and the impact on member outcomes. The Trustee may be limited in what can be achieved in isolation, given the size of assets and the use of pooled funds.

The Trustee will review ESG ratings on an annual basis and review against the Mercer GIMD universe but expectations over future investment performance, and the balance of risk and return, should take precedence on investment decisions.

The Trustee will consider how to cater for members who might engage on ESG matters, where there is material demand from members for amendments to the investment strategy.

3.4 Buying and Selling Investments

The managers of the underlying funds have responsibility for buying and selling the underlying assets. The day to day activities are governed by the arrangements between the Trustee and the Provider and are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

3.5 Exercise of Voting Rights

The Trustee and the Provider, through their contract with Aviva has delegated the exercise of voting rights to the managers of the underlying funds on the basis that they will exercise them so as to preserve and enhance long term shareholder value. Accordingly, the Provider has produced written guidelines of their process and practice in this regard.

4. Implementation and Engagement Policy

4.1 *Aligning Manager Appointments with Investment Strategy*

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. These characteristics will differ for each asset class so appointing a single manager may not be the most appropriate approach.

The Trustee will seek guidance from the Investment Consultant, where appropriate, for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Investment Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme offers to its members The Investment Consultant's manager research ratings assist with due diligence and are used in decisions around selection, and retention of manager appointments. The manager ratings are incorporated into the Trustee's monitoring reports,

The Trustee will review an appointment if the investment objective for a manager's fund changes to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

The Trustee invests in pooled investment vehicles so they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

Investment managers will be indirectly aware, given that the Trustee accesses funds via a platform, that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to review the appointment.

4.2 Evaluating Investment Manager Performance

The Trustee receive investment manager performance reports on a six monthly basis, which present performance information over 3 months, 1 year, 3 years and 5 years (where available). The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark, and against the manager's stated target performance objective for both active and passive managers (over the relevant time period) on a net of fees basis.

The Trustee focuses on long term performance but, as noted above, may review a manager's appointment if:

- There are sustained periods of underperformance, adopting a trigger based review system in the performance reporting;
- There is a change in the portfolio manager or the team responsible;
- There is a change in the underlying objectives or process of the investment manager;
- There is a significant change to the investment consultant's rating of the manager.

Portfolio Turnover Costs

The Trustee monitors portfolio turnover costs, which are incorporated in the annual costs and charges, on an annual basis as part of its annual value for members assessment.

Manager Turnover

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. The Trustee will therefore retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The basis on which the manager was appointed changes materially (e.g. manager fees or investment process);
- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

4. Compliance with this Statement

The Trustee, the Provider, the underlying managers and Mercer each have duties to perform to ensure compliance with this Statement. These are:

- The Trustee will review this Statement every Scheme Year on the advice of Mercer and will record compliance with it at the relevant Trustee's meeting. The Trustee will monitor the arrangement to ensure that the service continues to meet the Scheme's needs and objectives.

- The Provider will provide full information in respect of transactions in units in the underlying funds and valuations of the units held by the Scheme from time to time as required by the Trustee.

- Mercer will provide the advice needed to allow the Trustee to review and update this Statement annually (or more frequently if required).

Mark Homer 21/09/2020

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For and on behalf of the Trustee of the Scheme

Appendix
Fund Options and Objectives

Passively Managed Funds

Underlying Fund name	Fund aim	TER (% p.a.)
BlackRock (40:60) Global Equity Index (Aquila C)	The fund invests primarily in equities, both in UK and Overseas market with approximately 40% invested in shares of UK companies. The remaining 60% is split between shares of companies in the US, Europe ex-UK and the Pacific Rim. The fund aims to provide a return consistent with its benchmark: - 40% FTSE All Share Index - 60% FTSE All-World Developed ex-UK Index	0.50
BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C)	The fund invests primarily in equities, both in the UK and overseas markets. Approximately 30% is invested in the shares of UK companies, 60% of the assets are invested at market capitalisation weights into developed equities with the currency exposure hedged back to Sterling and the remaining 10% is invested into Emerging Market Equities. The fund aims to produce a return in line with its benchmark.	0.50
BlackRock World ex UK Equity Index (Aquila C)	Invests in shares of overseas companies (Europe ex-UK, Japan, Pacific Rim, US and Canadian markets) according to market capitalisation weightings and aims to produce a return in line with its benchmark – the FTSE World ex UK Equity Index.	0.50
BlackRock UK Equity Index (Aquila C)	The fund aims to achieve capital growth by tracking closely the performance of the FTSE All-Share Index, the fund's benchmark index. The fund invests in equity securities of companies that make up the benchmark index.	0.50
BlackRock Over 15 Year Corporate Bond Index (Aquila C)	The fund invests in investment grade corporate bonds denominated in sterling. The fund aims to produce returns in line with the iBoxx £ Non-Gilts, Over 15 Years Index (the index consists of bonds with maturity periods of 15 years or longer).	0.50
BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)	The fund invests in UK government index-linked securities (index-linked Gilts) that have a maturity period of 5 years or longer. The fund aims to produce areturn in line with the FTSE UK Gilts Index-Linked 5 Years Index	0.50

*The total charges include the Annual Management Charge ("AMC") and other expenses associated with the running and management of the fund (which will vary slightly from time to time). The charges are stated as at June 2020

Actively Managed Funds

Fund name	Fund aim	TER* (% p.a.)
Aviva Cash	To provide short-term liquidity by investing in money market instruments, bonds and cash.	0.50